

Message Text

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ACTION NEA-07

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FM AMEMBASSY TEHRAN

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INFO AMEMBASSY BAGHDAD PRIORITY

AMEMBASSY ISLAMABAD PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KABUL PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY MOSCOW PRIORITY

AMEMBASSY NEW DELHI PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY BONN PRIORITY

S E C R E T SECTION 1 OF 2 TEHRAN 6608

LIMDIS

EO 11652: XGDS-1

TAGS: PFOR, IR

SUBJ: UNDER SECRETARY NEWSOM'S VISIT TO IRAN

1. UNDER SECRETARY NEWSOM, ACCOMPANIED BY CHARGE NAAS AND DEPTOFF, MET SEPARATELY JULY 9 WITH PRIME MINISTER AMOUZEGAR, FOREIGN MINISTER KHALATBARY, AND MINISTER OF COURT HOVEYDA. SUBJECTS OF PARTICULAR INTEREST ARE SUMMARIZED BELOW.

2. AFGHAN COUP. DISCUSSION REFLECTED DEEP IRANIAN CONCERN OVER IMPROVED SOVIET POSITION IN AFGHANISTAN. AT SAME TIME, IRAN IS WILLING TO RESERVE FINAL JUDGMENT UNTIL SITUATION BECOMES CLEARER. IRAN UNDERSTANDS REASONS FOR COUP, BUT GOI HAD WARNED CENTO AND DAOUD DIRECTLY THAT LEFTIST REVOLUTION WOULD OCCUR IN ABSENCE OF FUNDAMENTAL
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REFORM. ONE OFFICIAL SAID HE EVEN MIGHT HAVE JOINED IN THE COUP WERE HE AN AFGHAN IN VIEW OF MOHAMADZAI NEGLECT. DESPITE SUDDEN INCREASE IN SOVIET INFLUENCE IN KABUL, HE THOUGH IT WOULD BE DIFFICULT FOR AFGHAN NATIONALISM TO BE SUPPRESSED AND THAT INFLEXIBLE SOVIET MODEL OF GOVERNMENT WOULD NOT PROMOTE BASIC REFORMS NEEDED IN AFGHANISTAN. KHALATBARY VIEWED COUP AS CLEAR WARNING

TO REGIONAL GOVERNMENTS OF SOVIET INTENTION TO MOVE IN WHEN OPPORTUNITY ARISES. PERSONAALLY, HE THOUGHT U.S. AID TO AFGHANISTAN WOULD ONLY BENEFIT SOVIETS BY LESSENING AFGHAN DEMANDS ON MOSCOW FOR AID. HOWEVER, IRAN WILL CONTINUE ITS SMALL EXISTING AID PROJECTS IN AFGHANISTAN BUT WILL NOT UNDERSTAKE NEW ONES. NEWSOM EXPLAINED THAT, WHILE U.S. IS NOT SANGUINE ABOUT AFGHAN DEVELOPMENTS, WE WILL CONTINUE OUR PRESENT PROGRAMS IF THEY CAN BE USEFUL AND EFFECTIVE AND THAT A STIFFER POLICY MIGHT ONLY PROVOKE A MORE DIFFICULT SITUATION. HE SAID HE WAS AUTHORIZED TO REVIEW POSSIBILITY OF GOING FORWARD WITH PROJECTS NEGOTIATED UNDER OLD REGIME IF NEW REGIME WAS INTERESTED AND PROSPECTS FOR IMPLEMENTATION WERE GOOD.

3. IRAQ. IRANIAN RELATIONS WITH BAGHDAD WERE DESCRIBED AS CORRECT; TEHRAN IS SEEKING TO IMPROVE ECONOMIC RELATIONS. RECENT DEVELOPMENTS IN AFGHANISTAN AND PDRY HAVE MADE BAGHDAD MORE CAUTIOUS ABOUT SOVIET INTENTIONS IN THE REGION. THE SHAH HAS TALKED TO SADDAM HUSSEIN ABOUT CREATING A SECURITY AGREEMENT FOR THE GULF BUT IRAQ HAS NOT RESPONDED FAVORABLY. NEWSOM NOTED THAT U.S. WAS WILLING TO REESTABLISH DIPLOMATIC RELATIONS BUT THAT PROSPECTS WERE NOT PROMISING AS IRAQ APPARENTLY CONTINUED TO VIEW U.S. SUPPORT OF ISRAEL AS BARRIER TO IMPROVED RELATIONS. HOVEYDA ACKNOWLEDGED,
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ON BASIS IRANIAN CONVERSATIONS WITH SADDAM HUSSEIN (IRAQI V.P.) THAT HIS WAS SO.

4. CENTO. KHALATBARY REMINDED NEWSOM THAT IRAN HAS REPEATEDLY WARNED THAT SOVIET INFLUENCE WOULD INCREASE IN AFGHANISTAN. HE STRESSED NEED FOR CENTO TO DEVELOP POLITICAL GUIDANCE TOWARD REGIONAL CHALLENGES AS WELL AS CONTINGENCY PLANNING FOR WHAT MIGHT HAPPEN IF AFGHANISTAN SEEKS TO CAUSE TROUBLE OUTSIDE ITS BORDERS. IN GOI VIEW CENTO AT PRESENT IS LITTLE MORE THAN A CLUB FOR MEETING AND DISCUSSION. NEWSOM SAID U.S. BELIEVES CENTO CONTINUES TO BE OF VALUE AND THAT HE, IF SUBJECT AROSE IN ISLAMABAD, WOULD SEEK TO PERSUADE PAKISTAN THAT IT SHOULD NOT LEAVE CENTO.

5. PAKISTAN. HOVEYDA CRITICIZED EXCESSIVE GOP PREOCCUPATION WITH INDIA. IRAN HAS URGED PAKISTAN TO SETTLE DIFFERENCES WITH INDIA WHILE THIS GENERATION'S LEADERS STILL HAVE PERSONAL TIES TO INDIAN LEADERS. HE

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LIMDIS

DESCRIBED A WEAK PAKISTAN AS DANGEROUS FOR THE REGION
AND COMMENTED THAT GOVERNING IS TOO IMPORTANT A MATTER TO
BE LEFT TO GENRALS. HANGING BHUTTO WILL SPARK A CYCLE
OF KILLING AND LEAD TO POLITICAL INSTABILITY. HE URGED
THAT A WAY BE FOUND FOR PAKISTAN TO GET OUT OF
REPROCESSING DILEMMA; F-5 OR MIRAGE AIRCRAFT WOULD BE
OF MUCH MORE IMPORTANCE FOR PAKISTAN SECURITY THAN
REPROCESSING. HOWEVER, PAKISTAN MUST HAVE STRONGER
LEADERSHIP TO DECIDE AGAINST REPROCESSING. HE NOTED
PAST UNPAID IRANIAN LOANS TO PAKISTAN, EXPECTATION
PAKISTAN WOULD DEFAULT ON ANY FUTURE LOANS AND IRAN'S
PRESENT CASH PROBLEM AS IMPEDIMENTS TO INCREASED
IRANIAN AID.

6. LIBERALIZATION. AMOUZEGAR AND HOVEYDA BOTH

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REITERATED SHAH'S COMMITMENT TO CONTINUE LIBERALIZATION PROCESS. WITH A PROJECTED POPULATION OF 65 MILLION BY END OF THE CENTURY AND INCREASING LITERACY AND MODERNIZATION, INCREASED POLITICAL PARTICIPATION WAS NECESSARY. THROUGH LIBERALIZATION IRAN HOPED TO REMAIN STRONG AND INTENDS TO BE AN EXAMPLE TO CONSERVATIVE SAUDI AND GULF REGIMES WHO DO NOT UNDERSTAND WHY IRAN WANTS TO DEVELOP NEW POLITICAL SYSTEM. AMOUZEGAR STRESSED NEED TO DEVELOP NEW POLITICAL INSTITUTIONS IN WHICH GOVERNMENT POLICIES COULD BE DEBATED. HE WELCOMED CRITICISM OF THE GOVERNMENT BUT NOTED THAT CITIZENS MUST LEARN TO BALANCE THEIR NEW RIGHTS WITH COMMENSURATE RESPONSIBILITIES. CONSERVATIVE RELIGIOUS LEADERS HAVE POTENTIAL TO HINDER MODERNIZATION BUT AMOUZEGAR EXPECTED GOVERNMENT WOULD BE ABLE TO DEFUSE ANY DANGER FROM THIS QUARTER TO POLITICAL AND OTHER CHANGES GOVERNMENT SEEKS.

7. OIL AND IRAN'S DEVELOPMENT STRATEGY. AMOUZAGAR ESTIMATED THAT IRAN'S 25-30 YEAR RESERVE OF HYDROCARBON RESOURCES WILL SUSTAIN PRESENT NINE PERCENT GROWTH RATE (NON-OIL SECTOR). HE EXPRESSED SPECIAL SATISFACTION AT REDUCING THE RATE OF INFLATION BY TWO-THIRDS IN PAST ELEVEN MONTHS--FROM 32 PERCENT TO ROUGHLY 11 PERCENT. IRAN MUST PLAN TO DIVERSIFY AND REDUCE DEPENDENCE ON OIL REVENUE. THE SHAH IS EMPHASIZING DEVELOPMENT OF A PETRO-CHEMICAL INDUSTRY AND PRODUCTION OF STEEL FOR WHICH IRAN SHOULD HAVE A COMPARITIVE ADVANTAGE A DECADE HENCE. FOR EXAMPLE, HE SAID, JAPAN HAS TO IMPORT ALL COMPONENTS OF STEEL INDUSTRY--EXCEPT LABOR--AND IRAN'S CHEAPER POWER, OIL AND LABOR SHOULD PUT THEM IN POSITION TO SHIP STEEL INGOTS TO JAPAN FOR FABRICATION. IRAN HAS NATURAL GAS RESERVES SUFFICIENT FOR NEXT 170

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YEARS AND PERHAPS THE SECOND LARGEST COPPER RESERVES IN THE WORLD. NUCLEAR ENERGY IS A HIGH PRIORITY AND WILL HELP TO CONSERVE DOMESTIC CONSUMPTION OF PETROLEUM FOR USE IN PETRO-CHEMICAL SECTOR. BECAUSE TEHRAN IS DEVELOPING MUCH TOO RAPIDLY, GOVERNMENT MUST SLOW DOWN GROWTH OF CAPITAL AND ENCOURAGE GREATER DEVELOPMENT ELSEWHERE IN COUNTRY.

8. OTHER SUBJECTS. HOVEYDA CONFIRMED THAT HUA KUO FUNG WOULD VISIT TEHRAN AND SAID SOVIET AMBASSADOR WAS VERY UPSET. HE DESCRIBED US-IRANIAN RELATIONS AS NEVER BETTER. UNDER SECRETARY REVIEWED U.S. POLICY IN AFRICA AT LENGTH FOR KHALATBARY AND ALSO BRIEFED HIM ON U.S. EFFORTS TO PROMOTE MIDDLE EAST PEACE SETTLEMENT AND TO PRESERVE STABILITY IN LEBANON (STATE 171142 AND 172481).

HE SOUGHT IRANIAN ASSISTANCE ON PUERTO RICAN ISSUE
BEFORE UNGA COMMITTEE OF 24.
NAAS

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